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STATE FOR NEA/IR, NEA/ARP, EEB/ESC, EUR/AGS
TREASURY FOR U/S LEVEY
VIENNA for AMB MCCAW, S.KILNER, P.KAPLAN
USMISSION VIENNA FOR AMB SCHULTE, E. TAVAKOLI

E.O. 12958: 12/18/2014

TAGS: [ENRG](#) [EPET](#) [ETTC](#) [PREL](#) [IR](#) [AU](#) [AE](#)

SUBJECT: IPIC SHARES CONCERN ABOUT IRAN

(U) Classified by CDA Martin Quinn for reasons 1.4 (b), (d).

Ref: A) Vienna 2111 (notal), B) Abu Dhabi 1306, C) State 53758

11. (C) Summary: International Petroleum Investment Company (IPIC) Managing Director told Econchief that he shared USG concerns about Iranian nuclear ambitions and the problems with oil and gas deals with Iran. He said that he had raised these concerns with the board of the Austrian company OMV and would do so again in September. He assured Econchief that the deal was still preliminary and that the Iranians were tough negotiators. He cautioned, however, that the Austrian Government, which had a much larger share in OMV than IPIC supported the deal with Iran and that IPIC's ability as a minority shareholder to force a change in direction was limited. End Summary.

12. (C) On August 29, Econchief met with International Petroleum Investment Company (IPIC) Managing Director Khadem Al-Qubaisi to discuss ongoing USG concerns with the announced OMV "Heads of Agreement" with the National Iranian Oil Company (NIOC). Econchief stressed that now was not the time for business as usual with Iran and urged Al-Qubaisi to use IPIC's influence as a large minority shareholder in OMV to prevent the project from moving forward. Al-Qubaisi said that the UAE shares USG concerns about Iranian nuclear ambitions, adding that "Iran needs to be treated carefully." He stated that IPIC had raised concerns about this investment to the OMV board, both for geopolitical reasons and for general business reasons. According to Al-Qubaisi, he noted that OMV's negotiations with Iran could be "a waste of time." His experience with the Iranians was that they were difficult negotiators, a view acknowledged by OMV's head of exploration and production, he noted.

13. (C) Unfortunately, said Qubaisi, IPIC is a minority shareholder (17.6%) in OMV and cannot force the board to change its position. The problem is especially acute since the Government of Austria, which owns over 30 percent of OMV, supports the gas deal. He said that the OMV board responses to IPIC's concerns were: (1) the deal is not illegal under Austrian or EU regulations; (2) Austria and Europe need to diversify their gas supplies from Russia; and (3) the GoA supports the deal. Al-Qubaisi also noted that OMV had been active in Libya while that country had been under ILSA sanctions. OMV had stayed when other companies had pulled out and made "a lot of money." OMV management, he said, see similar opportunities with Iran. Al-Qubaisi added that OMV was pursuing sources of gas actively, as Austria served as a natural gas hub for Europe. He told Econchief that OMV had originally pursued Abu Dhabi's sour gas tender, but had been rebuffed for being "too small." OMV, therefore, was still looking actively to source gas elsewhere.

14. (C) Al-Qubaisi assured Econchief that the deal was still in the preliminary stages, with negotiations ongoing. Currently, he said,

OMV and NIOC were negotiating over whether the agreement would be just a service agreement or involve production sharing. His view was that a service agreement would not be commercially viable. He undertook to raise IPIC's concerns about the project again during the upcoming September board meeting. He added that he is not yet a member of OMV's board, but expected to be elected to fill the seat left by IPIC's former managing director. He reiterated, however, the difficulty of changing policy as a minority shareholder, especially when the largest individual shareholder, the GoA, supports the agreement.

15. (C) Comment: Al-Qubaisi's commitment to raise this issue with the OMV board is a welcome one. That said, IPIC is a minority shareholder in OMV and unlikely to raise a diplomatic stink with Austria. In addition, the Emiratis are concerned about both the security and economic consequences of getting too far ahead of international "cover" in their dealings with Iran. Al-Qubaisi's intervention is likely to take these considerations into account as well as the company's mandate, which is to maximize shareholder value. Although Al-Qubaisi was not sanguine about changing OMV's intentions, he did note the difficulties in bringing this deal forward successfully. End Comment.

Quinn